## AMENDED IN SENATE JUNE 22, 2010 AMENDED IN SENATE SEPTEMBER 4, 2009

CALIFORNIA LEGISLATURE—2009–10 REGULAR SESSION

## ASSEMBLY BILL

No. 1558

## Introduced by Assembly Member V. Manuel Perez

March 11, 2009

An act to amend Sections 14010, 14020, 14021, 14022, 14023, 14024, 14025, 14026, 14030, 14030, 14034, 14074, and 14076 of, to add Section 14000.7 to, and to repeal Section 14075 of, the Corporations Code, to amend Sections 4532, 7073, 7079, 7081, 7082, 7085, 7086, 7114.5. 7117. 7280.6. 7280.8. 7281.4. 8684.2. 13994. 13994.1. 13994.5. 13994.6, 13994.8, 13994.9, 13994.11, 13994.12, 13996, 13996.1, 13996.2, 13996.45, 13996.5, 13996.5, 13996.6, 13996.65, 13996.7, 13996.75, 13999.1, 13999.2, 13999.4, 15570, 15901, 63021, 63021.5, 65054, 65054.1, 65054.3, 65054.4, and 99502 of, to add Section 65054.5 to, and to repeal Chapter 1.5 (commencing with Section 12095) of Part 2 of Division 3 of Title 2 of, the Government Code, and to amend Sections 9101, 9102, 9600.5, 10200, 10201, 10201.5, 10202, 10205, 10213, 10214, 10510, 10529, 10530, and 10533 of the Unemployment Insurance Code, relating to state government. An act to add Sections 15571 and 15572 to, and to repeal and add Section 15570 of, the Government Code, relating to economic development, and declaring the urgency thereof, to take effect immediately.

## LEGISLATIVE COUNSEL'S DIGEST

AB 1558, as amended, V. Manuel Perez. State government.

(1) Existing law establishes the Labor and Workforce Development Agency in state government, and provides that the Secretary of Labor AB 1558 -2-

and Workforce Development, the executive officer of the agency, is directly responsible to the Governor for the operations of each department, office, and unit within the agency. Existing law requires the secretary to lead the preparation of a biennial California Economic Development Strategic Plan, as specified, and to convene a biennial economic strategy panel, its membership to be composed as specified, to provide recommendations regarding the plan. Existing law requires the secretary to undertake this process anew in each succeeding 2-year cycle in order to update the economic strategy prior to October 31 of each succeeding 2nd year.

This bill would revise and recast these provisions relating to the preparation of the California Economic Development Strategic Plan, which this bill would rename the California Economic and Workforce Development Strategy, and would instead require that strategy to be updated every 5 years rather than biennially. The bill would also require the strategy to make recommendations regarding an economic development plan for the state covering a 5-year period, and to contain specified items. The bill would require the Secretary of Labor and Workforce Development to lead the preparation of the strategy, and authorize the secretary to call on the assistance of the California Economic Strategy Panel and the California Workforce Investment Board in fulfilling this duty. The bill would also require the secretary to prepare a preliminary strategy, to post that document on the agency's Internet Web site, and to submit written notice of that document's posting to the relevant policy and fiscal committees of each house of the Legislature by July 1, 2011. This bill would also require the relevant policy and fiscal committees of each house of the Legislature to review the preliminary strategy and hold hearings regarding the preliminary strategy, as specified. The bill would require the secretary to prepare the final version of the strategy within 2 months of the final hearing held by a policy or fiscal committee of either house of the Legislature on the preliminary strategy, and to update the strategy on or before October 31 of each succeeding 5th year.

(2) Existing law provides for the composition of the California Economic Strategy Panel, as specified.

This bill would establish the panel within the office of the Secretary of Labor and Workforce Development and require it to research, facilitate outreach, and make policy and fiscal recommendations to the Governor and the Legislature on issues relating to economic and workforce development. The bill would require the secretary to be the

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chairperson of the panel, and would provide for the membership of the panel, as specified. The bill would require the panel to meet upon the call of the secretary, who would be required to call at least 2 meetings of the panel per year. The bill would require members of the panel to serve without compensation, but would authorize their reimbursement for actual expenses incurred in connection with their duties.

This bill would require the panel, as part of its deliberations in preparing the strategy, to create an assessment addressing specified considerations. The bill would also require the panel to review the strategy within 5 years of the date of its finalization, and every 5 years thereafter, and to make recommendations on how to update the strategy.

- (3) This bill would declare that it is to take effect immediately as an urgency statute.
- (1) Existing law, the California Small Business Financial Development Corporation Law, creates the Office of the California Small Business Board and imposes numerous duties on the Secretary of Business, Transportation and Housing.

This bill would eliminate the duties of the secretary and transfer modified duties under these provisions to a director and executive director of a renamed Economic and Employment Development Department, which would succeed to some of the duties of the existing Employment Development Department under this bill.

(2) Existing law, the Target Area Contract Preference Act, defines the term "distressed" for purposes of its provisions as, among other things, being an urbanized area identified by the Office of Planning and Research.

This bill would eliminate the Office of Planning and Research from identifying the area, and instead require the Department of Finance to make the identification.

(3) Existing law, the Enterprise Zone Act, imposes numerous duties on the Employment Development Department and other state entities to promote economic development within specified geographic areas.

This bill would eliminate the duties of the Employment Development Department under these provisions and instead transfer them to the renamed entity, the Economic and Employment Development Department. This bill would also modify other duties under these provisions.

(4) Existing law, the Local Agency Military Base Recovery Area Act, imposes numerous duties on the California Environmental Protection Agency (Cal EPA) and the Office of Permit Assistance.

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This bill would eliminate certain duties of Cal EPA and instead transfer them to state licensing and regulatory bodies, generally. This bill would state that the Office of Permit Assistance is within the renamed Economic and Employment Development Department.

(5) Existing law, the Burton-Stull Vietnam Veterans Employment Act, imposes duties on the Employment Development Department.

This bill would eliminate the duties of the Employment Development Department and transfer them to the renamed Economic and Employment Development Department.

(6) Existing law, the California Disaster Assistance Act, authorizes the Business, Transportation and Housing Agency to adopt specified regulations to implement a loan program.

This bill would eliminate these duties of the Business, Transportation and Housing Agency and transfer them to the Office of Small Business or the renamed Economic and Employment Development Department, as specified.

(7) Existing law creates the California Commission for Industrial Innovation within the office of the Governor to encourage industrial innovation and develop policies to maintain the state's leadership in the national economy.

This bill repeals these provisions, thereby eliminating the commission.

(8) Existing law establishes the Manufacturing Technology Program and imposes duties on the Business, Transportation and Housing Agency under the program.

This bill would eliminate the duties of the agency under these provisions and transfer them to the Office of Technology and Innovation, which is created within the renamed Economic and Employment Development Department. This bill would also impose specified duties under this program on the new department and a director and executive director of the department.

(9) Existing law imposes specified duties on the Business, Transportation and Housing Agency and the secretary of the agency with regard to international trade and investment.

This bill would eliminate the duties of the Business, Transportation and Housing Agency and its secretary and transfer them yo the renamed Economic and Employment Development Department. This bill would also rename the Economic Strategy Panel as the California Economic and Workforce Development Panel.

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(10) Existing law establishes the Regional Technology Alliance Program within the Business, Transportation and Housing Agency, and imposes specified duties on the agency and its secretary.

This bill would eliminate the duties of the Business, Transportation and Housing Agency and its secretary and transfer them to the Office of Technology and Innovation or to the renamed Economic and Employment Development Department, as specified.

(11) Existing law creates the Space Enterprise Development Act and imposes duties on the Business, Transportation and Housing Agency and its secretary.

This bill would eliminate the duties of the Business, Transportation and Housing Agency and its secretary and transfer them to the Office of Technology and Innovation or on the renamed Economic and Employment Development Department, as specified.

(12) Existing law imposes specified duties on the Secretary of Business, Transportation and Housing regarding a biennial California Economic Development Strategic Plan.

This bill would rename the plan the California Economic and Employment Development Strategic Plan. The bill would also eliminate the duties of the Business, Transportation and Housing Agency and its secretary and transfer modified duties to a director of the renamed Economic and Employment Development Department. The bill would specifically modify the requirement of a biennial strategic plan to one every 5 years.

(13) Existing law establishes the Infrastructure and Economic and Development Bank within the Business, Transportation and Housing Agency.

This bill would eliminate the duties of the Business, Transportation and Housing Agency and its secretary and transfer them to the renamed Economic and Employment Development Department.

(14) Existing law creates the Office of Small Business Advocate within the Office of Planning and Research, and imposes various duties. Existing law requires the Governor to appoint the director of the Office of Small Business Advocate.

This bill renames the office as the Office of Small Business, eliminates the duties of the Office of Planning and Research, and transfers modified duties to the renamed Economic and Employment Development Department. This bill also eliminates the Governor's requirement to appoint a director, and instead requires the Small Business Board to appoint the director. This bill establishes the Small Business Board,

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consisting of specified members, to perform certain duties, adopt bylaws, and hold public hearings.

(15) Existing law requires the Office of Planning and Research to maintain and update a list of state agreements with foreign governments. This bill would eliminate this duty of the Office of Planning and Research and transfer it to the office of the Governor.

(16) Existing law imposes various duties on the State Job Training Coordinating Council, Employment Development Department, the Business, Transportation and Housing Agency, and its secretary.

This bill would eliminate certain specified duties of the State Job Training Coordinating Council, Employment Development Department, the Business, Transportation and Housing Agency, and its secretary and transfer them to the renamed Economic and Employment Development Department. This bill would also rename the federal Job Training Partnership Act as the Workforce Investment Act.

Vote: majority <sup>2</sup>/<sub>3</sub>. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 15570 of the Government Code is 2 repealed.
- 3 15570. (a) The secretary shall lead the preparation of a biennial California Economic Development Strategic Plan. In fulfilling this duty, the secretary shall do the following:
- 6 (1) Review the recommendations made by the California
  7 Economic Strategy Panel in their biennial economic development
  8 strategic plan document. This document shall make
  9 recommendations regarding an economic development strategic
  10 plan for the state, covering a two-year time period and containing
  11 a statement of economic goals for the state, a prioritized list
  12 identifying significant issues learned from economic development
- 13 strategic plan panel meetings, proposals for legislation, regulations,
- 14 and administrative reforms necessary to improve the business
- 15 climate and economy of the state, evaluation of the effectiveness
- 16 of the state's economic development programs, a list of key
- 17 industries in which the state shall focus its economic development
- 18 efforts, and strategies to foster job growth and economic
- 19 development covering all state agencies, offices, boards, and
- 20 commissions that have economic development responsibilities.

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(2) Convene a biennial economic strategy panel to provide recommendations regarding a California economic development strategic plan. This panel shall conduct meetings in Sacramento, all cities of the state with populations over 500,000, and in major cities of other regions of California as designated by the secretary. The secretary shall invite businesses, labor unions, organizations representing the interests of diverse ethnic and gender groups, local government leaders, academic economists and business professors, chambers of commerce and other business organizations, government agencies, and key industries to contribute to the preparation of the recommended economic strategy. These meetings shall address at least the following matters of concern:

- (A) Strengths and weaknesses of the California economy and the state's prospects for future economic prosperity.
- (B) Emerging and declining industries in California and elsewhere.
- (C) Effectiveness of California's economic development programs in creating and retaining jobs and attracting industries.
- (D) Adequacy of state and local physical and economic infrastructure.
  - (E) Government impediments to economic development.
- (F) The development of a system of accountability for use in the annual state budget process and in the legislative process to measure the performance of all state policies, programs, and tax expenditures intended to stimulate the economy. In developing a system of accountability, the panel shall, by using only existing resources and without future budget augmentation made for this purpose, do all of the following:
  - (i) Develop a standard definition of economic development.
- (ii) Develop, for use in state law, standard measurements of real per capita income, job growth, new business creation, private sector investment, minority entrepreneurship, and income inequality.
- (iii) Survey and evaluate efforts in other states to develop accountability measures for public investments in economic development.
- (iv) Determine whether a return on investment calculation is feasible for public investments in economic development.
- (v) Conduct a comparative study of various methodologies for preparing the economic development sections of a state budget,

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1 including unified functional budget, zero-based budget, and 2 performance-based budget methodologies.

- (vi) Study the feasibility of statutory disclosure requirements on specified publicly funded subsidies to private sector businesses.
- (vii) Submit a report of its findings and recommendations regarding this subparagraph to the Legislature no later than one year after its first meeting after January 1, 2005.
  - (b) The panel shall be composed of the following 15 members:
- (1) The Secretary of Labor and Workforce Development, who shall serve as chair of the panel.
  - (2) Eight persons appointed by the Governor.
  - (3) The Speaker of the Assembly or his or her designee.
- (4) The President pro Tempore of the Senate or his or her designee.
  - (5) The Minority Leader of the Assembly or his or her designee.
  - (6) The Minority Leader of the Senate or his or her designee.
  - (7) One person appointed by the Speaker of the Assembly.
  - (8) One person appointed by the Senate Committee on Rules.
- (c) The panel shall be representative of state government, business, labor, finance, and academic institutions, and shall be broadly reflective of the state's population as to gender, ethnicity, and geographic residence within California.

At least one-half of all the persons on the panel shall be from the private sector and at least two appointments shall be from private businesses with less than 50 employees. At least two appointments shall be from rural areas of the state. Beginning January 1, 2004, appointments to the panel shall be for four-year terms, except that the Governor's appointments made pursuant to paragraph (2) of subdivision (b) shall be made as follows:

- (1) Four members shall be appointed on January 1, 2004, and every four years thereafter.
- (2) Four members shall be appointed on January 1, 2004, for a two-year term.
- (3) Upon the expiration of the initial appointments made pursuant to paragraph (2), four members shall be appointed on January 1, 2006, and every four years thereafter.
- (d) The secretary shall deliver copies of the economic strategy panel's recommended California economic development strategic plan to every constitutional officer, legislator, member of the Governor's cabinet, members of the economic development

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strategic plan panel, and every state agency, office, board, and commission having economic development responsibilities.

- (e) In each succeeding two-year cycle, the secretary shall undertake this process anew, so as to update the economic strategy on or before October 31 of each succeeding second year.
- SEC. 2. Section 15570 is added to the Government Code, to read:
- 15570. (a) The secretary shall lead the preparation of the California Economic and Workforce Development Strategy. In fulfilling this duty, the secretary shall call on the assistance of the California Economic Strategy Panel, established pursuant to Section 15571, and the California Workforce Investment Board, established pursuant to Article 1 (commencing with Section 14010) of Chapter 3 of Division 7 of the Unemployment Insurance Code.
- (b) The strategy shall make recommendations regarding an economic development strategic plan for the state covering a five-year time period, and shall contain all of the following:
  - (1) A statement of economic goals for the state.
- (2) A prioritized list of significant issues facing the economy of the state.
- (3) Proposals for legislation, regulations, and administrative reforms necessary to improve the business climate and economy of the state.
- (4) An evaluation of the effectiveness of the state's economic development programs.
- (5) A list of key industries in which the state shall focus its economic development efforts.
- (6) Strategies to foster job growth and economic development covering all state agencies, offices, boards, and commissions that have economic development responsibilities.
- (c) Based on the assessment completed by the California Economic Strategy Panel pursuant to Section 15571, the strategy shall also include, at a minimum, all of the following components:
- (1) Policy goals, objectives, and recommendations necessary to implement a comprehensive economic and workforce development strategic plan for the state, identifying the priority for each within the overall strategy.
- 38 (2) Measurable outcomes and timelines for implementing the 39 goals, objectives, and recommendations of the strategy, showing

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the way in which key policy development and implementation efforts are coordinated with emerging issues.

- (3) An identification of impediments to achieving the goals, objectives, and recommendations described in paragraph (1) and the way in which they will delay the state's ability to improve its competitive position.
- (4) An identification of key stakeholder partnerships to use in implementing the recommendations.
- (5) An identification of options for funding the goals, objectives, and recommendations described in paragraph (1).
- (6) An identification of an organizational structure for the implementation of the policies, programs, and services recommended in the strategy.
- (d) (1) The secretary shall prepare a preliminary California Economic and Workforce Strategy, post that document on the agency's Internet Web site, and submit written notice of that document's posting to the relevant policy and fiscal committees of each house of the Legislature by July 1, 2011.
- (2) Development of the preliminary strategy pursuant to this subdivision shall be funded from private donations.
- (e) The relevant policy and fiscal committees of each house of the Legislature shall review the preliminary strategy, and hold hearings regarding the preliminary strategy within 90 days of the date that notice of that document's posting is sent to the relevant policy and fiscal committees of each house of the Legislature.
- (f) (1) Within two months of the final hearing held by a policy or fiscal committee of either house of the Legislature regarding the preliminary strategy, the secretary shall prepare the final version of the strategy.
- (2) Upon the final strategy's completion, the Secretary of Labor and Workforce Development, the California Economic Strategy Panel, the Secretary of Business, Transportation and Housing, and the Secretary of Food and Agriculture shall post the preliminary and final strategies on each of their agencies' Internet Web sites.
- (3) The Secretary of Labor and Workforce Development shall submit written notice of the completion of the final strategy and its posting to the agency Internet Web sites specified in paragraph (2) to the relevant policy and fiscal committees of the Legislature

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as well as every state agency, office, board, and commission having economic and workforce development responsibilities.

- (g) In each succeeding five-year cycle, the secretary shall update the strategy, pursuant to the procedures set forth in this section, on or before October 31 of each succeeding fifth year.
- SEC. 3. Section 15571 is added to the Government Code, to read:
- 15571. (a) The California Economic Strategy Panel within the office of the Secretary of Labor and Workforce Development shall research, facilitate outreach, and make policy and fiscal recommendations to the Governor and the Legislature on issues related to economic and workforce development.
  - (b) The panel shall include all of the following members:
- (1) The Secretary of Labor and Workforce Development, who shall serve as the chairperson of the panel.
- (2) The Director of the Governor's Office of Economic Development.
  - (3) The Secretary of Business, Transportation and Housing.
  - (4) The Secretary of Food and Agriculture.
- 20 (5) Eight persons appointed by the Governor, as specified in paragraph (1) of subdivision (c).
  - (6) The Speaker of the Assembly or his or her designee.
  - (7) The President pro Tempore of the Senate or his or her designee.
    - (8) The Minority Leader of the Assembly or his or her designee.
    - (9) One person appointed by the Speaker of the Assembly.
  - (10) One person appointed by the Senate Committee on Rules.
    - (11) The California Small Business Advocate.
- 29 (12) The Executive Director of the California Council on Science 30 and Technology.
- 31 (c) (1) Of the eight members appointed by the Governor, each shall represent one of the following categories:
- 33 (A) Local government.
- 34 (B) Small businesses.
- 35 (C) Manufacturing.
- *(D) Workforce development.*
- 37 (E) Economic development.
- 38 *(F) Labor.*

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- *(G) Finance.*
- 40 (H) Academic institutions.

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(2) The members appointed by the Governor shall also be broadly reflective of the state's population as to gender, ethnicity, and geographic residence within California.

- (3) At least seven of the members appointed by the Governor shall be made from the private sector.
- (4) At least two of the members appointed by the Governor shall be from rural areas.
- (d) The members appointed by the Speaker of the Assembly and the Senate Committee on Rules shall both be from the private sector.
- (e) Commencing January 1, 2011, appointments to the panel shall be for four-year terms, except that the Governor's appointments, which shall be made as follows:
- (1) Two members shall be appointed on January 1, 2011, and every four years thereafter.
- (2) Two members shall be appointed on January 1, 2012, for a two-year term. It is not the intent of the Legislature to disturb the appointment of the members of the panel, as it existed prior to the enactment of the act that added this section, whose terms are still ongoing.
- (f) Vacancies shall be filled in the same manner as the original appointments, pursuant to this section.
- (g) The panel shall meet upon the call of the Secretary of Labor and Workforce Development, who shall convene at least two panel meetings during each year. A quorum shall not be required to meet, except at the meeting at which the California Economic and Workforce Development Strategy is approved by a majority of those present.
- (h) Panel members shall serve without compensation, but they may be reimbursed for actual expenses incurred in connection with their duties.
- 32 SEC. 4. Section 15572 is added to the Government Code, to 33 read:
  - 15572. (a) As part of its deliberations in preparing the California Economic and Workforce Development Strategy, the California Economic Strategy Panel shall create an assessment addressing all of the following considerations:
  - (1) The strengths and weaknesses of the state's economy within a regional, national, and global context, and the state's prospects for future economic prosperity, identifying industries and

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businesses in each of the state's nine regional economies that are
significant in 2011, and those that are likely to be significant in
2020.

- (2) The current and emerging economic trends, areas in which the state has a comparative advantage to other states and foreign countries, and key opportunities for strategic alliances with other states and foreign countries.
- (3) The effectiveness of the state's economic and workforce development programs in creating and retaining jobs, improving productivity, increasing innovation, providing 21st century workforce skills, and attracting industries providing employment within the state's core and emerging industry clusters.
- (4) The ways in which private resources, including, but not limited to, investor networks, may be more effectively leveraged to attract additional private investment within the state's communities and small businesses.
- (5) The adequacy of state and local physical, electronic, and human infrastructure, including skills relating to digital technology, to meet the state's current and future needs, and a discussion of the appropriate role for state government to improve inadequacies identified in the state's physical, electronic, and human infrastructure.
  - (6) Government impediments to economic development.
- (7) The role of innovation in keeping the state's regional economies vibrant, including models and strategies that encourage partnerships among public, academic, and private entities, located in this state or other states, that support the state's core and emerging industries.
- (8) The unique opportunities and challenges in developing businesses and attracting investment along the state's border areas and in emerging domestic markets.
- (9) A review of significant literature by the federal government, state governments, foreign countries, and international associations concerning competitive advantages.
- (b) As part of its deliberations in preparing the strategy, as well as other projects and activities of the panel, the panel shall do all of the following:
- (1) Consult with other state entities, including, but not limited to, all of the following:
- (A) The California Transportation Commission.

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- 1 (B) The California Workforce Investment Board.
- 2 (C) The Small Business Council on Procurement.
- 3 (D) The Office of the Treasurer.

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- 4 (E) The California Organized Investment Network.
- 5 (F) The Department of Insurance.
- (G) The California Infrastructure and Economic Development 6 7 Bank.
- 8 (H) The State Energy Resources Conservation and Development Commission.
- (2) Review relevant background, findings, and recommendations 10 from all of the following: 11
  - (A) The California Transportation Plan, required to be updated pursuant to Chapter 2.3 (commencing with Section 65070) of Division 1 of Title 7, including those portions related to trade infrastructure and the movement of goods.
  - (B) The international and foreign investment strategies of state and local governments.
  - (C) The State Environmental Goals and Policy Report, prepared pursuant to Article 5 (commencing with Section 65041) of Chapter 1.5 of Title 7.
  - (D) The five-year plan for funding infrastructure, prepared pursuant to Article 2 (commencing with Section 13100) of Chapter 2 of Part 3 of Division 3 of Title 2.
  - (E) The state workforce strategy submitted as a condition of receiving funding pursuant to the federal Workforce Investment Act of 1998 (29 U.S.C. Sec. 2938).
  - (F) The workforce strategies developed by the Employment Training Panel and the California Community Colleges.
  - (c) The panel shall review the California Economic and Workforce Development Strategy within five years after the date it is finalized, and every five years thereafter, and make recommendations on how to update the strategy as the panel deems appropriate. Nothing in this subdivision shall prohibit the panel from reviewing or making recommendations on how to update the plan more frequently.
- 36 SEC. 5. This act is an urgency statute necessary for the 37 immediate preservation of the public peace, health, or safety within 38 the meaning of Article IV of the Constitution and shall go into 39 *immediate effect. The facts constituting the necessity are:*

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In order to preserve the public peace, health, and safety through the encouragement of economic development throughout the state's economic regions, it is necessary that this act take effect immediately.

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All matter omitted in this version of the bill appears in the bill as amended in the Senate, September 4, 2009. (JR11)

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